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New York

SUMMARY RECORD OF THE 38th MEETING

Chairman: Mr. VILCHEZ ASHER (Nicaragua)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

CONTENTS

AGENDA ITEM 116: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997 (continued)

Revised estimates: effect of changes in rates of exchange and inflation

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The meeting was called to order at 10.20 a.m.

AGENDA ITEM 116: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997 (continued)

Revised estimates: effect of changes in rates of exchange and inflation (A/C.5/50/38)

1. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the proposed recosting of the proposed programme budget for the biennium 1996-1997 would give a net increase of $140.7 million under the expenditure sections and a net increase of $17.8 million under the income sections. The increase under the expenditure sections was attributable to increased requirements of $91 million in respect of exchange rates and $50.8 million in respect of the recommendations of ICSC, which had been somewhat offset by reduced requirements of $1.1 million in respect of inflation.

2. The recosting was based on information available up to November 1995 and, in accordance with a recommendation of the Board of Auditors, reflected the average exchange rates for 1995 instead of the latest exchange rates.

3. The Advisory Committee had been informed that the increase of $50.8 million in respect of the ICSC recommendations reflected their impact on the proposed staffing table of the Organization during the biennium 1996-1997, while the statement by the Secretary-General on the administrative and financial implications of the ICSC recommendations (A/C.5/50/24 and Corr.1), in accordance with established practice, reflected the implications estimated in relation to a P-4 (step VI) post, which was the matching point of the common system scale with the GS-13 and GS-14 levels of the comparator.

4. The General Assembly, in its resolution 41/213, had requested the Secretary-General to make efforts to absorb, to the extent possible, expenditures relating to fluctuations in rates of exchange and inflation through savings from the programme budget, without causing in any way a negative impact on programme delivery and without prejudice to the utilization of the contingency fund. In that connection the Advisory Committee had been informed that the Secretary-General had endeavoured to absorb to the greatest extent possible the additional requirements resulting from inflation and currency fluctuations without affecting programme delivery. In the proposed programme budget a reduction of $98.1 million, including efficiency savings amounting to $35.5 million, had been proposed, and further efforts to enhance efficiency were under way.

5. The Advisory Committee had found no technical basis for objecting to the Secretary-General's revised estimates arising from recosting as a result of changes in rates of exchange and inflation and implementation of the recommendations of ICSC, and accordingly transmitted them to the Fifth Committee for consideration.

6. Mr. BIRENBAUM (United States of America) asked for an explanation of the income projections and, in particular, the changes reflected in the recosting.

7. Mr. TAKASU (Controller) said that the impact of the recosting was indicated in paragraph 15. Some of the income arising under income sections 1 and 2 was in currencies other than the United States dollar, and had been recosted using new exchange rates. Income section 3 was more complex, in that it covered several income-generating activities, such as the issuance of postage stamps, sales publications and visitors services. The figures under income section 3 were the net result of revenue from those activities, the cost of which had increased owing to the impact of inflation on salaries. The figures were also affected by currency fluctuations with respect to services at Geneva and Vienna; income derived from those activities had increased in United States dollar terms. The original net result had been approximately $6 million, but since costs, in United States dollar terms, had increased more sharply than revenue, the revised estimates showed a dramatic reduction.

8. Mr. BIRENBAUM (United States of America) asked whether the increase in income was attributable entirely or in the main to exchange rate changes or whether other factors were involved.

9. Mr. TAKASU (Controller) said that expenses under income section 3 related to the salaries of staff members engaged in various revenue-producing activities, and thus needed to be adjusted for currency fluctuation and for inflation, in common with salaries under the expenditure sections. Revenue under income section 3 had no element of salaries and was affected only by currency rates.

The meeting rose at 10.35 a.m.